

**MINUTES
of the
THIRD MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**August 25-26
Intel, Building RR 7, Room 112
Rio Rancho**

On August 25, the third meeting of the Revenue Stabilization and Tax Policy Committee (RSTPC) for the 2005 interim was held at Building RR 7, Room 112 at Intel in Rio Rancho.

Present

Sen. John Arthur Smith, Chair
Sen. Ben D. Altamirano
Rep. Janice E. Arnold-Jones
Sen. Kent L. Cravens
Rep. Anna M. Crook
Rep. Keith J. Gardner
Rep. Roberto "Bobby" J. Gonzales
Rep. George J. Hanosh
Rep. Ben Lujan
Sen. William E. Sharer
Rep. Daniel P. Silva
Sen. H. Diane Snyder
Sen. James G. Taylor
Rep. Thomas C. Taylor

Absent

Rep. Donald L. Whitaker, Vice Chair
Sen. Mark Boitano
Sen. Carlos R. Cisneros
Sen. Joseph A. Fidel

Designees

Sen. Cisco McSorley (*designee for Sen. Joseph A. Fidel*)
Sen. Nancy Rodriguez (*designee for Sen. Carlos R. Cisneros*)
Rep. Luciano "Lucky" Varela (*designee for Rep. Donald L. Whitaker*)

Staff

Amy Chavez, Tim Crawford, Cleo Griffith and Pam Ray

Guests

The guest list is in the meeting file.

Thursday, August 25

Call to Order and Approval of Minutes

Senator John Arthur Smith, chair, called the committee to order at 9:15 a.m. The committee unanimously approved the minutes from the second meeting of the RSTPC on July 21-22 in Hobbs.

Introductory Remarks

Jim Owen, mayor of the city of Rio Rancho, welcomed members of the RSTPC to Rio Rancho and expressed his appreciation for the state legislature and his desire to cooperate with the legislature with respect to future projects in Rio Rancho. Terry McDermott, government relations manager for Intel, welcomed members of the RSTPC to the Intel facility. He noted that the Intel facility in Rio Rancho employs 5,000 employees and 2,500 independent contractors and accounts for a \$302 million annual payroll. He also discussed Intel's contributions to surrounding community colleges, Rio Rancho High School, Next Generation Economy, Explora Children's Science Museum, the National Hispanic Cultural Center and the United Way. RSTPC members discussed the contribution that plants like the Intel facility might have as an additional gross receipts tax source.

Economic Development Incentives

Noreen Scott, executive director, Rio Rancho Economic Development (RRED), discussed economic development in New Mexico. She explained that a significant part of Rio Rancho's economy employs people to produce goods and services. As that sector of the economy grows, retail leakage occurs and income growth occurs. RRED estimates that 6,000 economic- development-based jobs exist in Rio Rancho. Ms. Scott warned, however, that some of those jobs might be threatened by outsourcing of labor to foreign companies.

Stephen Keene, partner, Neff and Ricci, L.L.P., discussed the effects of tax pyramiding on New Mexico manufacturing industries. Tax pyramiding occurs when a transaction tax is imposed on the inputs of a process and then is again imposed on the final output. The result is the imposition of a "tax on a tax". As a result of such pyramiding, manufacturing companies often bear a high tax burden because of their dependency on several inputs. Mr. Keene explained that New Mexico taxes inputs more frequently than other states and thus, the additional taxes due to pyramiding in New Mexico are among the highest in the country.

Mike Scaggs, president, Next Generation Economy (NGE), discussed NGE's role in creating a higher standard of living in New Mexico by nurturing an entrepreneurial economy powered by human creativity. NGE fosters growth in optical, biological science, artisan, microsystems, government service, aerospace and digital media industries. Mr. Scaggs discussed the stages that a company undergoes in manufacturing products in those industries. The stages include research and development, application of research to goals, business formation, manufacturing and distribution. Mr. Scaggs asked the committee to examine how some of the most successful states in the area of manufacturing treat manufacturing inputs. He suggested that such states should be used as benchmarks for policy formation with respect to manufacturing in New Mexico.

Questions and comments from the committee members addressed:

- whether the manufacturing industry should be regulated to promote additional economic development in manufacturing;
- the impact of recently passed legislation to reduce gross receipts tax pyramiding;
- the role of property costs and infrastructure proximity in promoting economic growth;
- the challenge of attracting manufacturing businesses that seek long-term reliability from tax systems; and
- whether reduced income tax rates play a significant role in attracting manufacturing companies to the state.

Produced Water Tax Credit Proposal

John Gillis, lobbyist, Public Service Company of New Mexico, and Tom Brown, lobbyist, Yates Petroleum Company, proposed that the RSTPC endorse legislation to provide tax credits for investments in cleaning water produced from oil and gas drilling and production. They noted that similar legislation was endorsed by the committee during the 2004 interim with respect to House Bill 197, introduced in 2005. The legislation introduced in 2005 provided a corporate income tax credit for the gathering, transporting or treating of produced water for disposition in the generation of electricity. The legislation proposed by Mr. Gillis and Mr. Brown for the current interim would provide a credit to operators of oil or gas wells who deliver produced water to the Interstate Stream Commission at the Pecos River in compliance with the Pecos River Compact and the New Mexico Water Quality Act and applicable state rules and federal laws.

Questions and comments from the committee members addressed:

- whether current companies have attempted to clean produced water;
- who owns produced water produced by oil and gas producers; and
- the potential number of claims of the proposed credit.

Mandatory Combined Reporting

Frank Katz, general counsel, Multistate Tax Commission (MTC), summarized the MTC's viewpoints with respect to the debate on mandatory combined reporting for corporate income tax purposes. He explained that combined reporting accounts for and apportions the total income earned by a group of commonly owned or controlled corporations that form the operation of a unitary business. A unitary business is composed of subdivisions of a business that are substantially interdependent and share flows of value.

Mr. Katz stated that mandatory combined reporting would result in better apportionment of income and would ensure that income earned in New Mexico would be taxed in New Mexico. He warned that under the current system, companies might continue to shift income to other states with lower tax burdens, even if that income is primarily earned in New Mexico. He further stated that combined reporting has been successfully implemented in other states and that New Mexico should follow suit. He referenced House Bill 320, which was introduced during the 2005 legislative session and which would have mandated combined reporting. Mr. Katz stated that mandated combined reporting could control income shifting, and thus result in a more

accurate measure of income. Sixteen states currently require combined reporting. Neighboring states that mandate combined reporting include Arizona, Colorado and Utah. Mr. Katz suggested that New Mexico should become uniform with these states.

J.D. Bullington, lobbyist, Association of Commerce and Industry (ACI), and Doug Cox, president of ACI's Tax Commission, expressed the ACI's viewpoint against mandatory combined reporting. ACI considers mandatory combined reporting as a tax increase that creates uncertainty and unpredictability in tax structure. Mr. Cox stated that some companies have located in New Mexico in expectation of a certain filing method. ACI holds that requiring combined filing would force new requirements on corporations without warning. ACI also objects to mandatory combined filing because it views such filing as an additional burden of tax compliance. Mr. Cox stated that tax planning that occurs under the current system benefits business and should not be viewed as a problem.

Mr. Keene, provided the committee with statistics regarding combined corporate income tax reporting. He stated that currently, 16,000 corporate taxpayers in New Mexico file their corporate income tax returns on a separate basis, while 370 file combined returns and 866 file federal consolidated returns. Mr. Keene concluded that approximately 98 percent of the corporate taxpayers in New Mexico could be adversely affected by mandating combined reporting. He stated that New Mexico currently has a satisfactory corporate tax system in place and should avoid implementing a new tax system of which state agencies are not completely familiar.

Kelly O'Donnell, assistant secretary and tax policy director, Taxation and Revenue Department (TRD), stated that the TRD does not have a position on combined reporting, but noted in agreement with Mr. Katz that 98 percent of corporate income tax filers would probably not be affected by legislation to mandate combined reporting, since many current separate filers are small corporations that do not have subsidiaries.

Questions and comments from the committee members addressed:

- the modified combined reporting system of Colorado;
- which companies would be affected by mandatory combined reporting;
- the potential fiscal impact of mandatory combined reporting in the state;
- additional states that have combined reporting mechanisms;
- different methods of approaching combined reporting;
- whether combined reporting would prevent businesses from entering New Mexico; and
- the possibility of requiring combined reporting but reducing corporate income tax rates.

State Investment Funds Update

Gary Bland, state investment officer, discussed the performance of funds managed by the State Investment Council (SIC). For the fiscal year ended June 30, 2005, funds managed by the SIC realized an approximate 9.6 percent return, which exceeded its 9.3 percent benchmark. A blended benchmark of the Standard & Poor's 500 and Lehman Brothers Aggregate Bond Index was 6.5 percent. Final performance figures are awaiting private equity market valuation updates,

which include approximately 135 limited liability partnerships. The state's permanent funds had a June 30, 2005 market value increase of \$730 million. \$587.4 million of that increase is attributable to a market increase in the Land Grant Permanent Fund (LGPF); \$136.5 million is attributable to an increase in the Severance Tax Permanent Fund (STPF); and \$6.6 million is attributable to an increase in the Tobacco Settlement Permanent Fund (TSPF).

State Investment Officer Bland also discussed the status of distributions from funds administered by the SIC. He noted that the Constitution of New Mexico authorizes a 5.8 percent distribution from the LGPF in fiscal years 2005 through 2012 and a reduced distribution of 5.5 percent from fiscal years 2013 to 2016. If the average year-end market values of the fund for the immediately preceding five calendar years is less than \$5.8 billion, distributions will not be made from the fund. For fiscal year 2007, the total expected distribution from the LGPF is \$438.4 million with 83 percent, or \$363.9 million, allocated to public schools. The total distribution for fiscal year 2006 is expected to equal approximately \$424.4 million, with 83 percent, or \$353.9 million, allocated to public schools.

State Investment Officer Bland presented a summary report of the SIC's investment holdings. He noted that 71.18 percent of the managed net assets of the SIC are comprised of domestic and international equities. The remainder of the SIC's managed net assets are comprised of fixed income and cash. Mr. Bland provided a further breakdown of the assets comprising each of the investment holdings with respect to the LGPF, STPF and TSPF.

Evalynne Hunemuller, director, Educational Retirement Board (ERB), discussed the ERB's role as the state's largest retirement system. New Mexico's educational retirement system is comprised of 67,200 active members, 27,000 retirees and 33,000 inactive members. The payroll contributed by active members to the Educational Retirement Fund (ERF) during 2005 is \$2.2 billion.

Ms. Hunemuller discussed some of the challenges of maintaining the ERF and distributing benefits to retirees. Since 1993, active membership has increased at approximately 1.8 percent per year and retiree numbers have increased by about 4.8 percent each year. There are currently 2.6 active members for each retiree. Ms. Hunemuller noted that retirees are living longer and collecting pensions for an increased period of time. Contribution levels have increased slightly to 17.075 percent in 2005 from 16.25 percent in 2004. Senate Bill 181, which became law in 2005, increased employer and employee contributions to the ERF as a percentage of total teacher payroll.

The ERB proposes to increase the returns of investment of the ERF by further diversifying its portfolio. Ms. Hunemuller proposed that the legislature implement a three- to five-year review process to make necessary changes to the funding mechanism for the ERF.

Frank Foy, investment manager, ERB, discussed the restructuring in 2002 of the ERF investment portfolio. He also provided the committee with information regarding asset growth in the ERF. In June 30, 2005, the fund assets approximated \$7.4 billion. He anticipates that the fund will continue to grow. Mr. Foy discussed the returns of funds invested in domestic equities, international equities, core fixed income, high-yield securities and real estate investment trusts.

Mr. Foy further discussed the effect that recently passed legislation to permit the ERB to invest in alternative investments might have upon the ERB. He stated that the ERB staff has met with vendors and is interested in hedge fund, private equity and real estate investments. In addition, the ERB hired a new investment consultant to conduct an asset and liability study during 2006 to assist the ERB in determining asset classes in which to invest.

Terry Slattery, director, Public Employees Retirement Association (PERA), discussed the allocation of the assets of the funds administered by the PERA and briefed the committee on the performance of those funds. According to Mr. Slattery, 79 percent of the funds are invested in domestic equity pools, while 21 percent are invested in international equity pools. He further provided the committee with an overview of the amounts of funds invested with specific investment managers and discussed their performance. He discussed the returns of PERA's investments, all of which either exceeded or met target returns. Over the next 10 years, Mr. Slattery expects that cumulative returns will continue to outperform target returns.

Questions and comments from the committee members addressed:

- distributions that might be made from the corpus of SIC funds;
- amounts invested by third-party investors with respect to SIC funds;
- the lack of use of legislatively granted authority to invest in hedge funds;
- rates of return on cash and cash equivalents with respect to SIC funds;
- the effect of increased retirements on valuation of retirement fund assets;
- whether increased salaries affect the quantity of retirees that withdraw retirement benefits from retirement pension funds;
- amounts paid to retirees from the ERF;
- underperformance of certain money managers hired by the ERF;
- the average retirement age of educational retirement beneficiaries;
- constitutional provisions affecting the composition of retirement funds; and
- the potential impact of not changing contributions.

Bond Capacity and Outstanding Debt

James Jimenez, director, Department of Finance and Administration (DFA), provided the committee with an overview of bond capacity available for the 2006 legislative session. Mr. Jimenez emphasized the opportunities presented by strong economic growth and high oil and gas prices in New Mexico. According to DFA estimates, between \$541 million and \$590 million will be available to fund new capital outlay projects during the 2006 session. The DFA estimates that funding capacity is composed of \$142.8 million in general obligation bond capacity, \$198 million in net new severance tax bond capacity and between \$200 million and \$250 million from the general fund. Mr. Jimenez stated that those estimates will be updated before the session.

Net senior severance tax bond capacity is expected to approximate \$198 million. Supplemental severance tax estimates amount to \$162.8 million. Supplemental severance tax bonding will primarily be used for public school capital outlay projects. Severance tax bond capacity is projected to increase slightly in fiscal year 2006 and decrease slightly during the following three years. Such capacity, however, is not expected to fall below \$350 million during that time span.

Mr. Jimenez provided the committee with data regarding capital financing during fiscal year 2005. The DFA issued \$521 million in bonds and notes during fiscal year 2005. This level of financing could support over 1,000 projects statewide. During the 2005 legislative session, \$470 million funded 2,600 capital outlay projects throughout the state. Approximately \$99.8 million was used to fund quality of life projects and \$97.1 million funded public education projects. In addition, \$75.8 million funded water projects and \$54.9 million was allocated to transportation projects. Mr. Jimenez also provided information on amounts obtained by the Governor's Finance Council for economic development, energy, health, housing and water projects during the 2005 session.

Mr. Jimenez further discussed improvements in capital outlay project accountability. For instance, balances on capital outlay projects more than five years old have been reduced from over \$54 million in FY 2003 to approximately \$12.6 million. Over \$11 million has also been reverted to the Severance Tax Bonding Fund. The DFA pledges to identify additional projects that can be closed out, reauthorized or reverted. The DFA's other goals include locking in high oil and gas prices for future bonding capacity and exploring options to use bonding alternatives to reduce general fund obligations for the ERB.

Questions and comments from the committee members addressed:

- how capital outlay funding might be used to address health care issues;
- whether investment in GRIP 2 highway projects would be a funding priority;
- whether public defender and court projects will be funded;
- the effect of unanticipated construction costs on capital outlay projects; and
- the possibility of exploring projects to benefit elderly populations.

Friday, August 26

Taxation and Revenue Department (TRD) Legislative Proposals

Dr. O'Donnell provided the committee with an overview of the TRD's legislative proposals for the 2006 legislative session. The TRD's legislative agenda is centered on accountability, weight-distance tax initiatives, taxpayer compliance, uniformity of state tax law with federal law, the Uniform Unclaimed Property Act and cigarette tax compliance.

As part of its effort to promote accountability, the TRD proposes to make tax credits in excess of \$10,000 public record. Currently, only refunds over \$10,000 are public record. Dr. O'Donnell noted that such an effort could improve transparency and accountability in tax incentives.

The TRD further proposes to provide the Motor Transportation Division of the Department of Public Safety with compliance tools to better enforce weight-distance taxes. The TRD's proposed legislation would permit vehicles that are not tax compliant to be detained. Penalties would also be imposed for failure to stop at ports of entry; for carrying overweight loads; for operating without oversize-overweight permits; and for failure to carry appropriate identification cards, log books and records.

Other legislation proposed by the TRD would repeal Sections 7-16A-8 and 7-16A-10

NMSA 1978, which permit farmers and contractors to buy clear diesel for off-road use. In addition, the TRD proposes to extend penalty and interest free payment windows from 30 to 180 days and to apply managed audit penalty waivers to penalties imposed with respect to reports of food and medical deductions against the gross receipts tax. The TRD also will promote legislation to increase the efficiency with which abandoned property is located and disposed.

Finally, the TRD will support legislation to amend cigarette tax seizure provisions to allow the TRD to destroy seized cigarettes that are not redeemed within 30 days by the person from whom the cigarettes were seized. That legislation would additionally increase information reporting requirements for distributors and increase penalties for noncompliance with cigarette tax laws.

Questions and comments from the committee members addressed:

- the need to ensure that certain taxpayer information remains confidential;
- the success of the TRD in enforcing the cigarette tax;
- whether school bus contractors are eligible for tax deductions;
- the effect of cigarette taxes on cigarette consumption;
- how to avoid encouraging the purchase of cheaper cigarettes stemming from increased cigarette taxes; and
- how much revenue is generated in penalties associated with weight-distance tax enforcement at the border regions of New Mexico.

Food and Medical Gross Receipts Tax Deduction Update

Dr. O'Donnell discussed TRD data obtained with respect to claims of the deductions against the gross receipts tax on the sale of food and medical services. Dr. O'Donnell explained eligibility for the deduction and the provisions that hold local governments harmless from the effects of providing the deduction. She also explained that the legislation implementing the deduction also provided for stiff penalties for incorrect reporting.

Dr. O'Donnell noted that costs to the state of providing the deduction with respect to food sales have been higher than originally anticipated by the TRD. Claims of the gross receipts tax deduction on sales of food are 25.6 percent higher than anticipated. Payments to local governments to hold them harmless from the provision of the deductions are 36 percent higher than anticipated. Much of the problem in predictability stems from incorrect reporting earlier this year. To accommodate retailers that encountered difficulties in reporting deductions, the TRD permitted a filing deadline extension with respect to the deduction. Despite initial difficulty, the TRD predicts that claims of deductions will stabilize.

The TRD has found that higher-than-predicted payments to local governments with respect to the hold harmless provisions of the gross receipts tax deductions with respect to food and medical services have increased the cost of those deductions. Payments to local governments to hold them harmless from the costs of the deductions have exceeded TRD's expectations. Hold harmless payments to local governments have exceeded TRD's original estimates by \$908,112.

Questions and comments from the committee members addressed:

- the benefit of increased deduction claims to taxpayers;
- whether the TRD has considered the impact on gross receipts tax revenues of reduced sales due to reduced disposable income;
- the portion of gross receipts taxes paid by out-of-state visitors;
- promotion of a customer-friendly culture at the TRD;
- the success of the gross receipts tax holiday held in August; and
- how other states administer sales tax deductions or exemptions for food sales.

Gross Receipts Tax Pyramiding Update

Jim Eads, president and executive director, New Mexico Tax Research Institute (NMTRI), and Dr. Manuel Del Valle, research director, NMTRI, provided the committee with a report regarding gross receipts tax pyramiding in New Mexico. Dr. Del Valle explained that the gross receipts tax has been a growing source of state revenues. Dr. Del Valle estimated that since 1989, gross receipts tax collections have increased by 50 percent. More than 31 percent of general fund state revenues and 40 percent of both state and local revenues are collected through imposition of the gross receipts tax.

Dr. Del Valle explained that gross receipts tax pyramiding occurs when the gross receipts tax levied at early stages of production is shifted forward. The tax eventually becomes the base for subsequent price increases and final purchasers pay a higher price as a result of the tax imposed on the tax.

The NMTRI conducted a study of the extent to which pyramiding occurs in New Mexico. The study measured amounts spent by 16 different industries on business inputs. The study then measured amounts saved by those industries as the result of statutory relief from taxation of those inputs. Among the 16 industries studied, the NMTRI found that gross receipts taxes attributable to pyramiding approximated \$748.6 million. Overall, statutory relief to industries reduced pyramiding costs to those industries by 36.3 percent.

Questions and comments from the committee members addressed:

- methods to reduce gross receipts tax pyramiding;
- the ability of industries to deduct gross receipts tax pyramiding costs as business expenses; and
- factors that account for gross receipts tax pyramiding differences between industrial sectors.

Gaming Revenue Distribution Issues

Julian Barela and Hutch Miller, Santa Fe County, provided the committee with an overview of the expenditures related to tribal operations incurred by Santa Fe County. During fiscal year 2005, Santa Fe County spent \$443,699 on tribal projects within the county. The county spent approximately \$15,450 on DWI programs; \$111,634 for fire departments; \$265,000 for the Project and Facilities Management Department; \$50,781 for solid waste and traffic engineering; and \$833 for animal control. Mr. Barela and Mr. Miller also discussed memoranda of understanding entered into by Santa Fe County with tribes within the county, including the Pueblos of Tesuque and Santa Clara. The memoranda state agreements between the county and

tribes to cooperate in developing mutually acceptable solutions to meeting various capital and program needs in tribal areas. Santa Fe County proposes that the 2006 legislature pass legislation to redistribute gaming revenues to local governments for tribal wastewater projects, roads, health and DWI programs, community centers, senior services and emergency services.

Questions and comments from the committee members addressed:

- the amount of gaming revenues the county requests for redistribution; and
- the distribution of *Aamodt* settlement revenues.

Local DWI Program Distribution Issues

Dr. Tasia Young, legislative liaison, New Mexico Association of Counties, and Rob Mitchell, DWI Solutions Committee, San Juan County, suggested means of strengthening funding for local DWI programs. Mr. Mitchell stated that DWI is a significant public health and human services cost to New Mexico in terms of quality of life and financial loss. In 2003, the death rate per 100,000 population in New Mexico was 11.4 compared to a national rate of 5.9 and the single most common contributing factor in fatal crashes was alcohol. The Division of Governmental Research at the University of New Mexico estimates that alcohol-related accidents cost the state \$1,005,333,000 in 2003. Mr. Mitchell explained that when the Local DWI Grant Fund was created that year, financial support was granted to counties for the creation and maintenance of DWI programs unique to local needs. He stated that such programs reduced DWI occurrences, injuries and fatalities.

Mr. Mitchell indicated that despite the success of DWI programs funded by the Local DWI Grant Fund, funding to local programs has been reduced by more than \$2.3 million annually since fiscal year 2004. He asked the committee members to consider providing additional DWI grant money to counties to alleviate the impact of escalating program costs and the consequential reduction in services experienced during the last three years.

Questions and comments from the committee members addressed:

- the efforts of counties to fund DWI programs;
- how counties in different areas of the state have addressed DWI prevention;
- whether excessive requirements hamper the ability of DWI programs to operate effectively;
- whether improved reporting mechanisms for counties should be adopted;
- whether counties duplicate services;
- whether local option liquor excise taxes have been used for financing DWI programs;
- the performance of DWI programs in rural counties; and
- which counties have the greatest funding needs for DWI issues.

Highway Funding Mechanisms

Rhonda G. Faught, secretary, Department of Transportation (DOT), and Robert Olcott, chief economist, DOT, provided the committee with an overview of funding mechanisms for highways throughout the state. Mr. Olcott discussed the role of Governor Richardson's Investment Proposal (GRIP) in funding highway projects throughout the state. He also noted that the state has an opportunity to obtain a 30-percent increase in federal funding. To obtain

such funding, however, the state will be required to increase state revenue dedicated toward federal matching funds by \$15 million to \$20 million per year.

Mr. Olcott additionally discussed the composition of the State Road Fund. He noted that 55 percent of the fund is composed of fuel tax revenues, while 24 percent is composed of heavy vehicle taxes and the balance is funded by Motor Vehicle Division registration and license fees. Gasoline price increases and continued high prices have sparked concern that the road fund might be exposed to significant risk. Mr. Olcott explained that in addition to jeopardizing road fund revenue, high fuel prices could also raise costs of providing services and infrastructure. For instance, the price of oil strongly impacts the cost of road construction and maintenance since asphalt is comprised of oil and aggregate. As the price of oil increases, the cost of asphalt increases. High fuel prices also drive up the cost of operating heavy equipment.

Secretary Faught mentioned federal and state energy conservation initiatives and the impact they might have on the fund. Although she expressed the importance of supporting conservation, she stated that such initiatives should be balanced with stabilizing funding needs for transportation. She suggested exploration of alternatives such as mass transit. Such alternatives might benefit the state's aging, physically disabled and economically disadvantaged populations.

The DOT has cooperated with the TRD and the Motor Transportation Division of the Department of Public Safety to identify issues that might contribute to the adequacy and stability of the State Road Fund. Proposals stemming from the departments' discussions include the imposition of penalties for failure to file timely weight-distance taxes; penalties for violations of tax identification permit provisions; and consideration of imposing specific tax rates on specific taxes imposed on certain fuels pursuant to the Alternative Fuel Tax Act.

Questions and comments from the committee members addressed:

- highway funding relative to funding in previous years;
- the impact of gasoline tax revenues on federal matching funds;

- increased highway project costs attributable to the price of oil and gas;
- whether the supply of oil can meet New Mexico's transportation needs;
- regulation of the oil and gas industry;
- the impact of cement shortages on highway project costs;
- whether technology advances have reduced highway construction costs;
- whether the state has invested in small shuttle buses for elderly residents; and
- the impact that an increased gasoline tax might have on the State Road Fund.

The committee adjourned at 3:45 p.m.